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Agenda Item 5a

August 16, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Self-Funded Health Plans First Quarter 2011 Financial Report
- II. **PROGRAM:** Benefit Programs Policy and Planning
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

This report is to provide the Health Benefits Committee with an update on the financial status for the six CalPERS self-funded Preferred Provider Organization (PPO) health plans for the quarter ending March 31, 2011.

At the end of the first quarter of 2011, the actual overall combined loss ratio for the self-funded health plans was two percent below break-even. This compares to eight percent above break-even at the end of calendar year 2010, and four percent above break-even for the first quarter of 2010.

There was an actual overall underwriting gain of \$9.2 million for all six self-funded health plans.

Assets for the program are currently \$623.2 million, which is an increase of \$70.4 million from the assets at the end of 2010. Total reserves for the program are \$435.6 million, which is an increase of \$29.9 million over the reserves at the end of 2010. Actual assets above the actuarial reserve requirements are therefore \$187.5 million, which is an increase of \$40.5 million for the quarter. Overall, the self-funded health plans have a ratio of assets to reserves of 143 percent.

In summary, the overall financial position of the self-funded health plans remains stable. The ongoing financial results for the program assets are positive, providing assurance that the rates approved by the Board for the 2011 plan year were sufficient to fund benefits and to maintain adequate reserves.

Attachments 1 through 7 provide key graphical analyses of financial and historical data. Appendices A, B, C, D, and E display background data used to generate the analyses in Attachments 1 through 7.

Attachment 1

This attachment presents the loss ratios for each plan. PERS Choice Basic and PERS Select Basic had underwriting loss ratios less than 100 percent. PERSCare and the supplemental plans had underwriting loss ratios in excess of 100 percent.

Attachment 2

This attachment displays summary results for the underwriting gain or loss. PERS Choice Basic and PERS Select Basic produced an underwriting gain. The other plans produced underwriting losses.

Attachment 3

This attachment presents the per-member-per-month (PMPM) medical and pharmacy claims costs for the last 13 quarters beginning with the second quarter of 2007.

Attachments 4a and 4b

These attachments display the medical and pharmacy trends. In the basic plans, shown in Attachment 4a, the PERSCare medical trend has been decreasing since April, 2010, while the PERS Choice medical trend has increased during the first quarter of 2011. The pharmacy trend for both Care and Choice decreased during the first quarter. The PERS Select trend has decreased significantly during the first quarter for both medical and pharmacy. For the supplemental plans, shown in Attachment 4b, the medical trends increased slightly and the pharmacy trends are decreasing.

Attachment 5

This attachment presents assets and reserves for the self-funded health plans. Assets exceed reserves for all plans except the PERS Select Supplement to Medicare plan. Total program assets exceed total program reserves by \$187.5 million.

Attachment 6

This attachment highlights the relative strength of the assets compared to the actuarial reserve. The overall levels of the assets in the self-funded health plans remain positive and indicate that assets and reserves are adequate to cover program liabilities.

Attachment 7

This attachment shows the overall enrollment trends for the six self-funded health plans. Enrollment in PERSCare Basic continues to decline as enrollment has shifted to PERS Choice and PERS Select. Overall, the enrollment in 2011 is about 3.5 percent higher than 2010 enrollment.

V. STRATEGIC PLAN:

This agenda item directly relates to Strategic Goal #10: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VI. RESULTS/COSTS:

There is no cost associated with this agenda item.

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Attachments